

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** July 12, 2011  
**POSITION:** Oppose  
**SPONSOR:** Author

**BILL NUMBER:** AB 1151  
**AUTHOR:** M. Feuer  
**RELATED BILLS:** Chapter 671,  
Statutes of 2007  
and SB 903 of 2011

### **BILL SUMMARY:** Public Retirement Systems Investments in Iran

This bill would amend the California Public Divest from Iran Act (Act) by requiring the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to hold a public hearing if a requirement of the Act fails to satisfy CalPERS' or CalSTRS' fiduciary duties. This bill also requires a hearing regarding whether a company has taken action to curtail business operations in Iran and modifies the definition of business operations in Iran.

### **FISCAL SUMMARY**

Assuming a January 1, 2012 implementation of the provisions of this bill, CalPERS estimates costs of \$50,000 in fiscal year 2011-12 and costs of \$100,000 in 2012-13 and ongoing associated with CalPERS board hearing requirements associated with identification of investments in violation of the Act.

CalSTRS does not identify any costs associated with the modifications made to the Act by this bill.

### **COMMENTS**

The Department of Finance is opposed to this bill, because it may increase costs for CalPERS.

Chapter 671, Statutes of 2007 implemented the Act that required divestment from companies that conduct specified business with Iran. SB 903 of 2011 would make similar amendments as this bill.

This bill would modify the Act by:

- Requiring CalPERS and CalSTRS to hold a public hearing if a requirement of the Act fails to satisfy CalPERS' or CalSTRS' fiduciary duties and to provide specified investment data.
- Requiring CalPERS and CalSTRS to hold public hearings regarding actions companies have taken to eliminate business with Iran to avoid divestment.
- Updating the criteria that would make the Act inoperative.
- Setting an investment threshold of \$20,000,000 that companies can have in the energy sector of Iran before they are subject to divestment.

CalPERS has taken an oppose position on this bill because it imposes requirements that would limit its authority in making investment decisions and imposes additional administrative burdens to continue implementation of the Act. We note that CalPERS has recently announced that they will completely divest from remaining companies doing business with Iran because there will be no impact on portfolio risk and minimal trading costs. While CalPERS is divesting from current investments in Iran, as a result of the dynamic nature of their investment portfolio, they have identified new costs associated with the hearing and

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Analyst/Principal (0932) K. Martone	Date	Program Budget Manager Diana Ducay	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**AUTHOR**

**AMENDMENT DATE**

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M. Feuer

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**COMMENTS** (continued)

monitoring provisions of this bill.

CalSTRS has taken a neutral position on this bill indicating they would not experience any administrative costs or investment losses as a result of this bill.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
1900/PERS	SO	No	C	\$50	C	\$100	C	\$100	0830
1920/STRS	SO	No		----- No/Minor Fiscal Impact -----					0835
<u>Fund Code</u>	<u>Title</u>								
0830	Public Employees' Retirement Fund								
0835	Teachers' Retirement Fund								